MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2016 / 2017 SESSION

UIB2612 – ISLAMIC BANKING AND FINANCE LAW

(All Sections / Groups)

11 MARCH 2017
Reading Time: 02:30 p.m. – 02:45 p.m.
(15 Minutes)

Answering Time: 02:45 p.m. – 05:45 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. Students will have **fifteen minutes** during which they may read the paper and make rough notes only in their question paper. Students then have the remaining **three hours** in which to answer the questions.

2. This question paper consists of 3 pages with 4 questions only.

3. Answer **ALL** questions in **PART A** and any **TWO** questions in **PART B**. The distribution of the marks for each question is given.

4. Students are allowed to bring into Examination Hall CLEAN and ORIGINAL copy of Islamic Financial Services Act 2013 and Central Bank of Malaysia Act 2009. Students are not allowed to lend or borrow any statutes during the Examination.

5. Write all your answers in the Answer Booklet provided.

PART A: Compulsory [40 marks]

Instruction: Answer **ALL** questions.

QUESTION 1

Contract from an Islamic legal perspective is conceptually divided into two main categories, namely unilateral and bilateral contract. While the former is gratuitous in character and does not require the consent of the recipient, the latter is bound to strict rulings and guideline since it requires the consent of both the parties to a contract. Therefore, the strict conditions required for both the offeree and the subject matter of the bilateral contract would cease to apply in an unilateral contract. Unilateral contract comprises of transactions in favor of the recipient such as gift (*hibah*), rebate (*ibra'*), endowment (*waqf*) and loan (*qard*).

(a) Compare and contrast the concept of *qard* and *ibra'* from conventional and Islamic legal perspective.

(20 marks)

(b) Ahmad, who is the guardian of an orphan named Aminah, has given out half of Aminah's share in her house as *hibah* to a mosque for charitable purposes with Aminah's consent.

Examine the validity of this *hibah* contract in the eyes of *Shariah*. (10 marks)

(c) Describe the application of *waqf* in *takaful*. (10 marks)

(Total: 40 Marks)

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PART B: Optional [60 marks]

Instruction: Attempt **TWO** questions **only**.

QUESTION 2

Credit card usage is common and prevalent in modern days. While its use is convenient in many circumstances, it impacts negatively on one's life. This is manifested by inducing its holder to overspend and incur debt. In various countries, credit cards have been identified as the cause of a citizen's overload of debt or bankruptcy. The interest rate is not the only cost of a credit card. A fee will be charged for late or default payment.

(a) In light of the above statement, do you think Islamic financial institutions should offer a Shariah-compliant credit card? State your reasons. (10 marks)

(b) Critically discuss the method used by Islamic financial institutions in penalizing defaulters or late payers.

(20 marks)

(Total: 30 marks)

QUESTION 3

Sukuk is currently one of the fastest-growing segments of the Islamic capital markets. The two main types of *sukuk* that are currently being practiced are asset-backed *sukuk* and asset-based *sukuk*. Hybrid *sukuk* is among the favorable emerging type of *sukuk* and viewed as one of the innovative products in the Islamic capital market compared to the plain *sukuk* structures that are basic and standard.

a) Explain the difference between Asset-Backed *Sukuk* and Asset-Based *Sukuk*.

(10 marks)

b) Describe hybrid *sukuk* and three (3) of the notable issues in its structure. (20 marks)

(Total: 30 marks)

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QUESTION 4

Takaful is a type of social system based on the Islamic concepts of mutual assistance/cooperation (*ta'awun*), brotherhood (*ukhuwwah*) and voluntary contribution (*tabarru'*), where risk is shared collectively among participants. It is an Islamic alternative to conventional insurance, which has been deemed impermissible by *Shariah*. A general *takaful* scheme essentially involves the relationship of two parties namely the *takaful* operator and a group of participants.

(a) Explain why conventional insurance is not accepted by *Shari'ah.* (10 marks)

(b) Elucidate the concept of *tabarru'*, *mudarabah* and *wakalah* in *takaful.* (20 marks)

(Total: 30 marks)

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